

Committee on the Budget • Majority Caucus U.S. House of Representatives Jim Nussle, Chairman

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Summarizing budgetary issues in legislation scheduled for the House floor

10 May 2004

Week of 10 May 2004

SUSPENSIONS

- 1) Expressing the Sense of the House of Representatives That the Department of Defense Should Rectify Deficiencies in the Military Postal System to Ensure That Members of the Armed Forces Stationed Overseas Are Able to Receive and Send Mail in a Timely Manner as Well as Receive and Send Election Ballots in Time to Be Counted in the 2004 Elections (H.Res. 608). This resolution has no budget implications.
- 2) To Redesignate the Facility of the United States Postal Service Located at 14-24 Abbott Road in Fair Lawn, New Jersey, as the "Mary Ann Collura Post Office Building" (H.R. 3939).

This bill neither increases direct spending – spending not subject to appropriations – nor reduces revenue.

- 3) Recognizing and Honoring the Tenth Anniversary of Vietnam Human Rights Day (H.Res. 613). This resolution has no budget implications.
- 4) Supporting the Goals and Ideals of Peace Officers Memorial Day (H.Res. 622). This resolution has no budget implications.
- 5) To Designate the Facility of the United States Postal Service Located at 410 South Jackson Road in Edinburg, Texas, as the "Dr. Miguel A. Nevarez Post Office Building" (H.R. 4299). This bill neither increases direct spending nor reduces revenue.
- 6) To Designate the United States Courthouse Located at 125 Bull Street in Savannah, Georgia, as the "Tomochichi United States Courthouse" (H.R. 2523). This bill neither increases direct spending nor reduces revenue.
- 7) Authorizing the Use of the Capitol Grounds for the D.C. Special Olympics Law Enforcement Torch Run (H.Con.Res. 389). This resolution has no budget implications.
- 8) Recognizing the Contributions of People of Indian Origin to the United States and the Benefits of Working Together with India Towards Promoting Peace, Prosperity, and Freedom Among All Countries of the World (H.Con.Res. 352).

This resolution has no budget implications.



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PLEASE NOTE: This document addresses budgetary issues only. It should not be taken to address support or opposition on any other grounds. A green flag indicates no serious budgetary or budget compliance concerns. A yellow flag indicates moderate or potential problems. A red flag indicates serious problems. Also note: Floor schedules and legislative details are subject to change after publication. Conference reports may be scheduled at any time.

This document was prepared by the majority staff of the Committee on the Budget, U.S. House of Representatives. It has not been approved by the full committee and therefore may not reflect the views of all the committee's members.

9) Recognizing 50 years of Relations Between the United States Government and the European Union (H.Res. 577).



This resolution has no budget implications.

10) Calling on the Government of the Socialist Republic of Vietnam to Immediately and Unconditionally Release Father Thaddeus Nguyen Van Ly (H.Con.Res. 378). This resolution has no budget implications.



11) Recognizing with Humble Gratitude the More than 16,000,000 Veterans Who Served in the United States Armed Forces During World War II and the Americans Who Supported the War Effort on the Home Front and Celebrating the Completion of the National World War II Memorial on the National Mall in the District of Columbia (H.Con.Res. 409). This resolution has no budget implications.

12) Recognizing the 60th Anniversary of the Servicemen's Readjustment Act of 1944 (H.J.Res. 91).



This resolution has no budget implications.

LEGISLATION CONSIDERED UNDER A RULE

Bill: To Amend the Internal Revenue Code of 1986 to Provide for the Disposition of

Unused Health Benefits in Cafeteria Plans and Flexible Spending Arrangements

(H.R. 4279)

Committee: Ways and Means

Summary: This bill allows an employee to "roll over" up to \$500 of unused health benefits under a

health flexible spending arrangement [FSA] without disqualifying the FSA from treatment as a cafeteria plan. Under the bill, the unused health benefits can be transferred to either of the following: 1) the FSA's next plan year; or 2) the employee's health savings account

[HSA]. These changes are effective 1 January 2004.

An FSA is a reimbursement account under which an employee is reimbursed for medical expenses or other non-taxable employer-provided benefits, and typically is funded through salary reduction. An HSA is a tax-exempt account - created under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 – used to pay for medical expenses of the account holder and that person's spouse and dependents. Employee contributions to an HSA are deductible and employer contributions to an HSA are

excluded from income.

Cost: The Joint Committee on Taxation [JCT] has not provided a revenue estimate for H.R.

> 4279, although the President's budget for fiscal year 2004 included a similar policy proposal (with the same effective date), in which up to \$500 of unused benefits from FSAs could be rolled over to the next plan year or to 401(k) plans, 403(b) plans, 457 plans, SARSEPs, SIMPLE IRAs, or Archer MSAs. The JCT estimated that the President's proposal would reduce revenue by \$361 million in fiscal year 2004, and by \$3.542 billion over fiscal years 2004-08. HSAs did not exist at the time of the President's proposal, and it is possible that allowing rollovers to HSAs rather than to the other types of accounts

would have a negligible effect on revenue.

For purposes of the budget resolution conference report expected to be agreed to for fiscal year 2005, the applicable enforcement periods would be as follows: the bill would reduce revenue by approximately \$627 million in fiscal year 2005, and by approximately

\$4.138 billion over fiscal years 2005-09.

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Budget Week Page 2 **Budget Act:**

It is uncertain whether a conference report on the budget resolution for fiscal year 2005 – which will govern budget enforcement of bills brought to the floor – will be completed and agreed to before H.R. 4279 is considered. Until then, the budget resolution for fiscal year 2004 remains in force. H.R. 4279 will not violate the terms of the fiscal year 2004 budget resolution, and is not expected to violate the terms of the fiscal year 2005 budget resolution once completed. Therefore it is not expected to violate any points of order under the provisions of the Congressional Budget Act.

Bill:

To Amend the Internal Revenue Code of 1986 to Permanently Extend the 10-Percent Individual Income Tax Rate Bracket (H.R. 4275).

Committee:

Ways and Means

Summary:

The legislative text of the bill will not be available until some time Tuesday morning (10 May 2004), but the language is expected to have the same effect as a proposal in the President's budget for fiscal year 2005 that would eliminate the scheduled reduction in the upper limit of the 10-percent income tax bracket. For calendar year 2004, the 10-percent bracket applies to the first \$7,150 of taxable income for single filers, and \$14,300 for married couples; but for calendar year 2005 the upper limit of the bracket is scheduled to be reduced to \$6,000 for single filers, and \$12,000 for married couples. Under current law, income above those levels will be taxed at a 15-percent rate rather than at a 10-percent rate. Under the expected text of H.R. 4275, the upper limit of the 10-percent rate would be based on the 2004 limits, adjusted annually for inflation.

Cost:

The Joint Committee on Taxation [JCT] has not provided a revenue estimate for H.R. 4275, although the JCT has estimated the revenue effects of the similar proposal in the President's budget for fiscal year 2005. The JCT estimates that the President's proposal would have no budget effect in fiscal year 2004, and would reduce revenue by \$21.811 billion over fiscal years 2004-08.

For purposes of the budget resolution conference report expected to be agreed to for fiscal year 2005, the applicable enforcement periods would be as follows: the bill would reduce revenue by approximately \$4.262 billion in fiscal year 2005, and by approximately \$25.04 billion over fiscal years 2005-09.

Budget Act:

It is uncertain whether a conference report on the budget resolution for fiscal year 2005 — which will govern budget enforcement of bills brought to the floor — will be completed and agreed to before H.R. 4275 is considered. Until then, the budget resolution for fiscal year 2004 remains in force. H.R. 4275 will not violate the terms of the fiscal year 2004 budget resolution, and is not expected to violate the terms of the fiscal year 2005 budget resolution once completed. Therefore it is not expected to violate any points of order under the provisions of the Congressional Budget Act.

Bill: To Improve Patient Access to Health Care Services and Provide

Improved Medical Care by Reducing the Excessive Burden

the Liability System Places on the Health Care Delivery System (H.R. 4280).

Committee: Judiciary/Energy and Commerce

Summary: The text of the bill was not available at the time of publication. H.R. 4280 is expected to

be very similar to H.R. 5, which passed the House during the 1st session of the 108th Congress. H.R. 5 imposed limits on medical malpractice litigation in State and Federal courts by capping awards and attorneys fees, modifying the statute of limitations, eliminating joint and several liability and making certain changes in the limits and criteria

by which punitive damages are awarded.

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Cost:

A cost estimate was not available at the time of publication. Nevertheless, H.R. 4280 is expected to be similar in cost to H.R. 5, with some changes due to later enactment of this legislation. The Congressional Budget Office [CBO] estimated that enacting H.R. 5 would increase Federal revenue by \$15 million in 2004 and by \$955 million over the 2004-08 period. The increase would occur because employers would pay less health insurance for employees, resulting in higher amounts of taxable employee compensation. H.R. 5 also would have reduced Federal direct spending for Medicare, Medicaid, the government's share of premiums under the Federal Employees Health Benefits [FEHB] Program, and other Federal health benefits programs. CBO estimated direct spending to decline by \$4.38 billion over the 2004-08 period. Additionally, Federal spending for active workers participating in the FEHB program would decline resulting in a reduction in discretionary spending for the FEHB program of about \$72 million over the 2004-08 period.

Budget Act:

If H.R. 4280 substantially mirrors H.R. 5, then the bill is not expected to violate the provisions of the Congressional Budget Act.

Bill:

To Amend Title I of the Employee Retirement Income Security Act of 1974 to Improve Access and Choice for Entrepreneurs with Small Businesses With Respect to Medical Care for Their Employees (H.R. 4281).

Committee:

Education and the Workforce

Summary:

The legislative text of the bill will not be available until some time Tuesday morning (10 May 2004), but the language is expected to have the same effect as the Small Business Health Fairness Act of 2003 (H.R. 660), which passed the House on 19 June 2003. H.R. 660 would authorize trade, industry, and professional associations to set up "association health plans" [AHPs], allowing small businesses in the same trade association to combine their employees into a greater pool of insured employees. The plans would be exempt from certain State-mandated benefit requirements, but Federal requirements would remain, such as limitations on the variance between those employees charged the most for insurance, and those charged the least. By pooling employees, it is expected that the businesses participating in AHPs would gain access to lower health insurance premiums.

Cost:

CBO has not provided a cost estimate for H.R. 4281, and CBO's cost estimate for H.R. 660 assumed that the legislation would be enacted by 1 October 2003. Therefore, the cost estimate for H.R. 660 at best serves as a rough approximation of the expected cost of H.R. 4281. H.R. 660, if enacted by 1 October 2003, would have reduced revenue by \$3 million in fiscal year 2004, and by \$80 million over fiscal years 2004-08 (resulting from reduced taxable income caused by shifting compensation to non-taxable health benefits). It also would have reduced direct spending by \$2 million in fiscal year 2004 and by \$32 million over fiscal years 2004-08 (resulting from reduced enrollment in Medicaid).

For purposes of the budget resolution conference report expected to be agreed to for fiscal year 2005, the applicable enforcement periods would be as follows: the bill would reduce revenue by approximately \$11 million in fiscal year 2005, and by approximately \$107 million over fiscal years 2005-09. It would reduce direct spending by approximately \$5 million in fiscal year 2005 and by approximately \$45 million in fiscal years 2005-09.

Budget Act:

It is uncertain whether a conference report on the budget resolution for fiscal year 2005 – which will govern budget enforcement of bills brought to the floor – will be completed and agreed to before H.R. 4281 is considered. Until then, the budget resolution for fiscal year 2004 remains in force. H.R. 4281 will not violate the terms of the fiscal year 2004 budget resolution, and is not expected to violate the terms of the fiscal year 2005 budget resolution once completed. Therefore it is not expected to violate any points of order under the provisions of the Congressional Budget Act.

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